Testimony of Connecticut Fund for the Environment
Before the Committee on Energy and Technology

In support of HB 5410, AN ACT CONCERNING GAS COMPANIES' COST RECOVERY OF LOST AND UNACCOUNTED FOR GAS

Submitted by Lauren Savidge
Staff Attorney, Climate & Energy Specialist
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Connecticut Fund for the Environment ("CFE") is a non-profit environmental organization with over 5,500 members statewide. The mission of the CFE, and its program Save the Sound, is to protect and improve the land, air and water of Connecticut and Long Island Sound. We use legal and scientific expertise and bring people together to achieve results that benefit our environment for current and future generations.

Dear Senator Duff, Representative Reed, and members of the Committee on Energy and Technology:

Connecticut Fund for the Environment submits this testimony in support of Proposed HB 5410, An Act Concerning Gas Companies' Cost Recovery of Lost and Unaccounted for Gas. If passed, this legislation would limit the amount of lost and unaccounted for gas that a natural gas local distribution company ("LDC") can recover from ratepayers.

Natural gas is almost entirely comprised of methane, which is a greenhouse gas with a dangerous warming potential that is 56 times stronger than carbon dioxide over a 20-year period and 21 times stronger over a 100-year period.[1] Methane leaks throughout the natural gas distribution system, mostly from old cast iron and bare steel pipes, but also from newer plastic pipes. Based on a 2012 U.S. Energy Information Administration report, Connecticut natural gas companies lost over 800 million cubic feet of natural gas that year.[2]

This bill addresses methane leakage throughout the entire natural gas distribution system because it limits the amount of lost and unaccounted for gas that a LDC may recover from ratepayers. Currently, there is no such limit. It is not clear exactly how much Connecticut's three LDCs recover on lost and unaccounted for gas because they are not required to report these figures. While we do not have exact figures because they are not tracked, if one multiples the cost of gas

[1] United Nations Framework Convention on Climate Change, Global Warming Potentials, *available at* http://unfccc.int/ghg_data/items/3825.php.
[2] United States Energy Information Administration, 2012 Natural Gas Annual Report, Table A1, *available at* http://www.eia.gov/naturalgas/annual/pdf/table_a01.pdf.

in 2012 with each of the LDCs last reported lost and unaccounted for gas percentage, it comes out to tens of millions of dollars being charged to consumers for lost and unaccounted for gas.

With this bill, LDCs would be incentivized to reduce the amount of gas lost in the system because they are allowed to keep the gas cost recovery for all unnecessary gas costs. At the same time, the overall cost of gas would be lower for consumers because this bill requires the Public Utilities Regulatory Authority ("PURA") to set the lost and unaccounted for gas percentage for each company in a way that incentives them to reduce the amount of gas lost. Presumably, that percentage would be set at a lower number than the companies' current lost and unaccounted for percentage.

The idea of requiring LDCs to get a handle on their lost and unaccounted for gas is not a new one. In fact, in a 2006 independent audit on a LDCs accounting solicited by PURA, the independent consultant recommended that PURA establish clear directives to LDCs in calculating lost and unaccounted for gas because none existed.[3] Additionally, New York has had the same incentive model as this bill in place since 1990 by regulatory order. Recently, the New York Department of Public Service reviewed the efficacy of this program and found that it saved customers $48 million annually in the cost of gas.[4]

Greenhouse gas emissions from the distribution system are particularly troubling in light of Connecticut's relatively recent commitment to expand natural gas infrastructure. If not addressed at the outset of the expansion process, these emissions will only become more problematic. In Public Act 13-298, as part of the Comprehensive Energy Strategy, LDCs were required to submit an expansion plan to PURA that includes "a plan to harmonize natural gas infrastructure expansion with steps to reduce methane leakage from existing gas infrastructure."[5] The LDCs submitted and received PURA approval on an expansion plan, but did not include a plan to address methane leakage throughout their system. The only manner in which leakage was addressed was through a loose commitment to accelerate the replacement of cast iron and bare steel mains.[6]

While the replacement of these old and leaky pipes over the next few decades is certainly a positive step to reduce methane leakage, these programs do not address methane leakage in the near term future and throughout the entire system. In its recent rate case, Connecticut Natural Gas ("CNG") had an end of year backlog of 370 Class 3 leaks, which are non-hazardous leaks that are likely to remain non-hazardous, on state-of-the-art plastic pipes alone.[7] This accounts for nearly half of their Class 3 leaks at the end of the year. CNG estimates that approximately 75 additional Class 3 leaks appear on state-of-the-art pipes annually.[8] These are leaks that are not

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[3] McFadden Consulting Group, Inc., *Report on the Independent Audit of Yankee Gas Services' Accounting Records Pertaining to its Purchased Gas Adjustment*, PURA Docket No. 04-10-01RE01, *Semi-Annual Investigation of the Purchased Gas Adjustment Clause Charges or Credits*, 4-6 (May 25, 2007).

[4] NYS Department of Public Service, *Staff White Paper on Lost and Unaccounted for (LAUF) Gas*, 6.

[5] *An Act Concerning Implementation of Connecticut's Comprehensive Energy Strategy and Various Revisions to the Energy Statutes*, Section 51(a)(7).

[6] Connecticut's Gas LDC's Joint Natural Gas Infrastructure Expansion Plan, PURA Docket No. 13-06-02, 23 (June 14, 2013). The specific language used by the LDCs was: "In their next respective rate cases, the LDCs anticipate proposing ratemaking treatments to accelerate replacement of aging infrastructure."

[7] Public Utilities Regulatory Authority, Draft Decision, Docket No. 13-06-08 *Application of Connecticut Natural Gas Corporation to Increase its Rates and Charges*, 57 (January 22, 2014).

[8] *Id*.

addressed in the replacement program because they are on newer mains and that do not need to be immediately repaired because they are non-hazardous.

Therefore, we strongly support this legislation to address methane leakage in the entire natural gas distribution system by proving an incentive to LDCs to fix leaks in the system.

Thank you for your time and consideration on this matter.

Sincerely,

Lauren Savidge
Staff Attorney/Climate & Energy Specialist
Connecticut Fund for the Environment
lsavidge@ctenvironment.org
Tel: (203) 787-0646 x 122
Fax: (203) 787-0246